Senate File 410 - Introduced

SENATE FILE 410
BY COMMITTEE ON ECONOMIC
GROWTH

(SUCCESSOR TO SSB 1112)

A BILL FOR

- 1 An Act modifying the innovation fund investment tax credit
- 2 and including effective date and retroactive applicability
- 3 provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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- 1 Section 1. Section 15E.52, subsection 1, paragraph c, Code
- 2 2013, is amended to read as follows:
- 3 c. "Innovative business" means a business applying novel
- 4 or original innovative methods to the manufacture of a product
- 5 or the delivery of a service. "Innovative business" includes
- 6 but is not limited to a business engaged in the industries
- 7 of advanced manufacturing, biosciences, and information
- 8 technology.
- 9 Sec. 2. Section 15E.52, subsection 3, Code 2013, is amended
- 10 to read as follows:
- 11 3. The amount of a tax credit allowed under this section
- 12 shall equal twenty twenty-five percent of the taxpayer's equity
- 13 investment in an innovation fund.
- 14 Sec. 3. Section 15E.52, subsection 5, paragraph a, Code
- 15 2013, is amended to read as follows:
- 16 a. The board shall issue certificates under this section
- 17 which may be redeemed for tax credits. The board shall issue
- 18 such certificates so that not more than the amount allocated
- 19 for such tax credits under section 15.119, subsection 2, may be
- 20 claimed. The certificates shall not be transferable.
- 21 Sec. 4. Section 15E.52, subsection 5, Code 2013, is amended
- 22 by adding the following new paragraph:
- 23 NEW PARAGRAPH. c. A certificate issued pursuant to this
- 24 section cannot pledge the credit of the state and any such
- 25 certificate so pledged to secure the debt of the original
- 26 holder or a transferee shall not constitute a contract binding
- 27 the state.
- 28 Sec. 5. Section 15E.52, subsection 6, Code 2013, is amended
- 29 to read as follows:
- 30 6. A taxpayer shall not redeem a certificate and related tax
- 31 credit prior to the third tax year following the tax year in
- 32 which the investment is made. Any tax credit in excess of the
- 33 taxpayer's liability for the tax year may be credited to the
- 34 tax liability for the following five years or until depleted,
- 35 whichever is earlier. A tax credit shall not be carried back

- 1 to a tax year prior to the tax year in which the taxpayer claims 2 the tax credit.
- 3 Sec. 6. Section 15E.52, Code 2013, is amended by adding the 4 following new subsections:
- NEW SUBSECTION. 8. Tax credit certificates issued pursuant
- 6 to this section may be transferred, in whole or in part, to any
- 7 person. A tax credit certificate shall only be transferred
- 8 once. Within ninety days of transfer, the transferee shall
- 9 submit the transferred tax credit certificate to the department
- 10 of revenue along with a statement containing the transferee's
- 11 name, tax identification number, and address, the denomination
- 12 that each replacement tax credit certificate is to carry, and
- 13 any other information required by the department of revenue.
- 14 NEW SUBSECTION. 9. Within thirty days of receiving the
- 15 transferred tax credit certificate and the transferee's
- 16 statement, the department of revenue shall issue one or
- 17 more replacement tax credit certificates to the transferee.
- 18 Each replacement tax credit certificate must contain the
- 19 information required for the original tax credit certificate.
- 20 A replacement tax credit certificate may designate a different
- 21 tax than the tax designated on the original tax credit
- 22 certificate. A tax credit shall not be claimed by a transferee
- 23 under this section until a replacement tax credit certificate
- 24 identifying the transferee as the proper holder has been
- 25 issued.
- NEW SUBSECTION. 10. The transferee may use the amount of
- 27 the tax credit transferred against the taxes imposed in chapter
- 28 422, divisions II, III, and V, and in chapter 432, and against
- 29 the moneys and credits tax imposed in section 533.329, for
- 30 any tax year the original transferor could have claimed the
- 31 tax credit. Any consideration received for the transfer of
- 32 the tax credit shall not be included as income under chapter
- 33 422, divisions II, III, and V. Any consideration paid for the
- 34 transfer of the tax credit shall not be deducted from income
- 35 under chapter 422, divisions II, III, and V.

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- 1 Sec. 7. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
- 2 immediate importance, takes effect upon enactment.
- 3 Sec. 8. RETROACTIVE APPLICABILITY. This Act applies
- 4 retroactively to January 1, 2013, for tax years beginning on
- 5 or after that date and for equity investments in an innovation
- 6 fund made on or after that date.
- 7 EXPLANATION
- 8 This bill modifies the innovation fund investment tax credit
- 9 in Code section 15E.52. Under current law, the economic
- 10 development authority is required to issue nontransferable tax
- 11 credit certificates equal to 20 percent of a taxpayer's equity
- 12 investment in an innovation fund. A tax credit may not be
- 13 redeemed by a taxpayer until three years after an investment
- 14 is made. The tax credits available for issuance are under the
- 15 aggregate tax credit limit for certain economic development
- 16 programs in Code section 15.119, and are limited to a total of
- 17 \$8 million per fiscal year.
- 18 The bill amends the definition of "innovative business" for
- 19 purposes of the innovation fund investment tax credit and, by
- 20 reference, the innovative business development programs in Code
- 21 section 15.411.
- 22 The bill modifies the credit by removing the requirement
- 23 that a taxpayer wait three years to redeem the credit,
- 24 by increasing the amount of the credit to 25 percent of a
- 25 taxpayer's equity investment, and by making the tax credit
- 26 certificates transferable one time and establishing procedures
- 27 for transferring the credit to another person.
- The bill provides that innovation fund investment tax credit
- 29 certificates issued by the authority cannot pledge the credit
- 30 of the state and shall not constitute a contract binding the
- 31 state if a certificate is pledged to secure the debt of the
- 32 original holder or a transferee.
- 33 The bill is effective upon enactment and applies
- 34 retroactively to January 1, 2013, for tax years beginning on
- 35 or after that date and for equity investments in an innovation

1 fund made on or after that date.